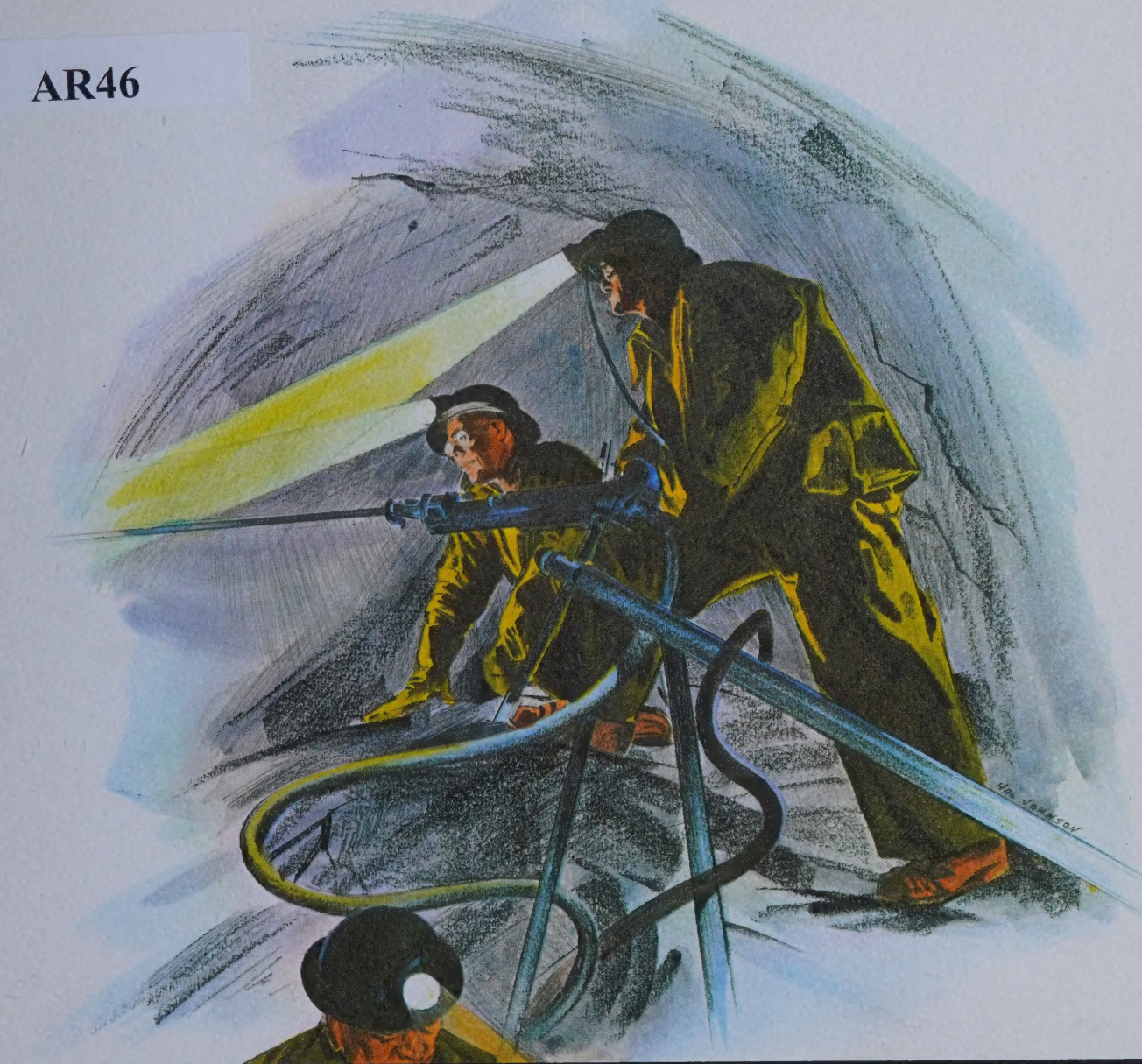


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DISCOVERY MINES

L I M I T E D

ANNUAL
REPORT

1967

DISCOVERY MINES LIMITED

OPERATING AND FINANCIAL

	1967	1966
Tons Milled	85,772	82,848
Average Daily Mill Rate — Tons	239	227
Grade Milled — Ounces per Ton	0.61	0.74
Ounces Gold Produced	51,007	60,145
Revenue	\$2,069,279	\$2,321,273
Operating Profit	\$ 574,992	\$ 793,349
Net Profit	\$ 463,351	\$ 534,962
Net Profit per Share	\$ 0.17	\$ 0.196

HIGHLIGHTS 1950-1967

Tons Milled	932,174
Ounces Gold Produced	989,403
Bullion Production	\$35,119,892
Net Profit	\$ 8,418,531
Total Dividends Paid	\$ 5,632,131

DISCOVERY MINES LIMITED

OFFICERS	J. J. BYRNE - - - - - Chairman of the Board
	J. C. BYRNE - - - - - President
	D. S. HAMILTON - - - - - Secretary-Treasurer
DIRECTORS	J. J. BYRNE - - - - - Toronto, Ont.
	J. C. BYRNE - - - - - Toronto, Ont.
	E. S. HOLMGREN - - - - - Detroit, Mich.
	D. O. MUNGOVAN, Q.C. - - - - - Toronto, Ont.
	G. T. SMITH - - - - - Toronto, Ont.
MANAGEMENT	J. C. BYRNE - - - - - Toronto, Ont. Managing Director
	R. J. KILGOUR, P.Eng. - - - - - Discovery, N.W.T. General Manager
EXECUTIVE ENGINEER	L. A. BEDNARZ, P.Eng. - - - - - Toronto, Ont.
CONSULTANTS	NORMAN W BYRNE, P.Eng. - - - - - Yellowknife, N.W.T. Consulting Engineer
	A. P. BEAVAN, Ph.D., P.Eng. - - - - - Montreal, Que. Consulting Geologist
SOLICITORS	MUNGOVAN & MUNGOVAN - 80 King St. W., Toronto, Ont.
AUDITORS	EDDIS & ASSOCIATES - - - 110 Yonge St., Toronto, Ont. Chartered Accountants
TRANSFER AGENTS AND REGISTRARS	CROWN TRUST COMPANY - - - 302 Bay St., Toronto, Ont.
	BANKERS TRUST COMPANY - - - New York, N.Y.
BANKERS	ROYAL BANK OF CANADA - - - - - Toronto, Ont. Bay & Temperance Branch
	CANADIAN IMPERIAL BANK OF COMMERCE - - - - - Yellowknife, N.W.T. Whitehorse, Y.T.
EXECUTIVE OFFICE	Suite 1011, 2200 Yonge St., Toronto 12, Ont.
ANNUAL MEETING	April 16, 1968, 11:00 a.m., Nova Scotia Room, Mezzanine Floor, Royal York Hotel.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors take pleasure in presenting the 21st Annual Report of the Company for the year ending December 31, 1967.

Net profit for 1967 was \$463,351 equivalent to \$0.17 per share, which compares to a net profit for 1966 of \$534,962 or \$0.196 per share. A satisfactory mine performance was characterized by a lower grade of ore milled, a significant reduction in cost per ton milled, and a slightly higher mill rate than that recorded for the previous year.

Proven ore reserves will support operations until the end of 1968 at the current production rate of 240 tons per day. In addition it is intended to mine certain low grade remnant areas which would extend the mine life into March of the following year. Hopefully new ore may be found in the course of underground exploration; in this regard some encouragement was recently realized with the disclosure during the latter part of the year of a new vein structure called the No. 19 Vein. Partially developed on four levels, the vein is shown to be generally narrow and the grade to be erratic. Follow-up work is continuing in order to fully assess the potential.

Shareholders can be encouraged in the future of your Company as its major investment in Rayrock Mines Limited assumes greater importance, while interests are held in a number of marginal gold prospects which would become attractive economic propositions with a substantial increase in the price of gold.

Rayrock Mines, in which a 40% share interest is held, can look forward to highly satisfactory profits from both its petroleum production and its 21.4% net equity in the Icon Sullivan Joint Venture — the new copper producer in Northwestern Quebec. The exploration policy of the company continues to be aggressive.

Promising results from preliminary exploration of an optioned nickel prospect in the Yukon Territory has prompted Discovery Mines, as operator, and two other financial sponsors to direct an accelerated program for 1968. There is every indication that the known potential ore reserves can be significantly expanded.

With an interest in no less than four gold prospects in the Northwest Territories and in the Yukon Territory, the Company could find itself solidly entrenched in gold mining in the event of a substantial price increase for this precious metal. One of these properties was recently acquired under a long term option agreement, and represents a large tonnage, low grade open pit proposition.

DISCOVERY MINES LIMITED

Directors' Report (Continued)

The subject of gold and currencies has received considerable publicity during the past several months. There is at present general unrest in world financial circles with the authority of two of the major currencies being suspect. Both the recent devaluation of the British pound and the continuing erosion in the United States balance of payments have precipitated intense gold speculation. The United States gives notice that it will not support an orderly revaluation of the gold price which has remained unchanged at \$35 an ounce since 1934, but the argument has weak overtones on evidence that a prompt adjustment of international balances is becoming increasingly more difficult. Until we can depend on governments to impose on their countries satisfactory monetary restraint, it appears that the world needs the discipline of gold. Appreciation of gold is motivated by the need to protect wealth from monetary, economic, and political mismanagement. Historical experience has shown that it is the safest form of money in times of financial crisis and major uncertainties. It is unlikely that gold speculation will subside to any extent in the foreseeable future, and one can see growing pressures for a price increase as the logical means of satisfactorily resolving international money problems.

The Directors extend their appreciation to the General Manager, his staff and crew, and to all others who have served the Company well during the past year.

On behalf of the Board of Directors

J. J. BYRNE

Chairman of the Board

J. C. BYRNE

President and Managing Director

Toronto, Ontario

March 5, 1968

DISCOVERY MINES LIMITED

STATEMENT OF OPERATIONS

For the year ended December 31, 1967

Revenue	1967	1966
Metal production	1,937,518	2,276,213
Investment income	34,423	45,060
Estimated amount recoverable under the Emergency Gold Mining Assistance Act	97,338	
	<u>2,069,279</u>	<u>2,321,273</u>
Expenditure		
Cost of metal production, including mining, milling, delivery and mint charges	1,262,528	1,298,187
Exploration and development	158,134	153,586
Head office, administrative and general expenses	68,921	61,174
Bank interest	204	10,477
Directors' fees	4,500	4,500
	<u>1,494,287</u>	<u>1,527,924</u>
Profit before depreciation	574,992	793,349
Deduct:		
Depreciation on buildings, plant and equipment	53,264	64,766
Operating profit	<u>521,728</u>	<u>728,583</u>
Deduct:		
Exploration, development and mining at LaForma, Yukon Territory, less revenue from production	4,136	147,633
Outside exploration	42,241	24,988
	<u>46,377</u>	<u>172,621</u>
Net profit before income taxes	475,351	555,962
Less:		
Estimated Northwest Territories royalty tax	12,000	21,000
Net profit for the year	<u>\$ 463,351</u>	<u>\$ 534,962</u>

DISCOVERY MINES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1967

ASSETS

Current	1967	1966
Cash	123,482	162,412
Short-term investments	403,245	100,000
Bullion on hand and in transit	152,595	113,547
Receivable under the Emergency Gold Mining Assistance Act — estimated	47,964	13,817
Accounts receivable	59,789	29,385
	<u>787,075</u>	<u>419,161</u>
Investment in other companies (Note 1)	2,018,697	3,183,005
Investment in and Advances to Subsidiary Company, Camlaren Mines Limited (Note 2)		
Investment in shares, at cost	252,058	252,058
Advances	14,954	13,158
	<u>267,012</u>	<u>265,216</u>
Mining Properties		
Mining claims and options — acquired for cash and shares of capital stock at valuation placed thereon by the directors of the company	277,932	272,932
Land, buildings, plant and equipment, at cost less accumulated depreciation (Note 3) to date 1967 — \$2,448,405; 1966 — \$2,395,141	288,671	377,459
Deferred exploration and development expenditures (Note 4)	451,364	451,364
	<u>1,017,967</u>	<u>1,101,755</u>
Other		
Mine stores, at cost	210,712	212,596
Prepaid expenses and sundry deposits	23,998	9,314
Incorporation expense	4,837	4,837
	<u>239,547</u>	<u>226,747</u>
	<u>\$4,330,298</u>	<u>\$5,195,884</u>

To the Shareholders,
Discovery Mines Limited.

We have examined the balance sheet of Discovery Mines Limited as at December 31, 1967 and statements of earned surplus, operations and source and application of funds for the year ended on date. Our examination included a general review of the accounting procedures and such tests of accounts records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
February 23, 1968.



LIABILITIES

Current

	1967	1966
Accounts payable and accrued charges	126,896	143,537
Estimated N.W.T. royalty tax payable	12,000	21,000
Unclaimed dividends	5,990	
	<u>144,886</u>	<u>164,537</u>

Capital and Surplus

Capital Stock

Authorized

4,000,000 shares of \$1.00 par value each --- \$4,000,000

Issued and fully paid

2,734,773 shares 2,734,773 2,734,773

Contributed surplus 189,324 189,324

Earned surplus 1,261,315 2,107,250

4,185,412 5,031,347

Approved on behalf of the Board,

J. J. BYRNE, Director.

J. C. BYRNE, Director.

The accompanying notes are an integral part of these financial statements

\$4,330,298 \$5,195,884

ORT

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

EDDIS & ASSOCIATES,
Chartered Accountants.

DISCOVERY MINES LIMITED

NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 1967

1. Investment in Other Companies	December 31, 1967		December 31, 1966
	Number of Shares	Cost	Cost
Rayrock Mines Limited	1,777,200	1,774,051	1,736,834
Tundra Gold Mines Limited	399,068	64,761	64,761
Bow Valley Industries Ltd., preferred	1,500	23,475	
		<u>1,862,287</u>	<u>1,801,595</u>
Other shares (unlisted or escrowed) and debentures at cost less allowance for possible loss on realization of \$1,225,000 (1967), Nil (1966)		156,410	1,381,410
		<u>\$2,018,697</u>	<u>\$3,183,005</u>
Quoted market value of listed shares			
December 31, 1967	\$2,395,200		
December 31, 1966	\$2,292,800		

2. Subsidiary Company

The company holds 70% of the outstanding share capital of Camlaren Mines Limited.

By agreements dated November 30, 1964 and October 15, 1965, the company agreed to carry out, by December 31, 1968, a programme of exploration and development upon the 21 mining claims held by Camlaren Mines Limited in the Gordon Lake Area, N.W.T. at a total cost of \$317,000. In consideration of the company carrying out the said programme, Camlaren Mines Limited agreed to assign to the company a 66% undivided interest in the said mining claims.

The accounts of the subsidiary company have not been consolidated in these financial statements. During the period covered by the financial statements, Camlaren Mines Limited was inactive except for maintenance expenses at its property in the Gordon Lake Area, N.W.T.

3. Fixed Assets — LaForma Property, Yukon Territory

Included under land, buildings, plant and equipment are buildings and equipment at the LaForma property at a cost of \$419,705 less provision for estimated loss on disposal of \$270,648. Operations were suspended at this property in 1966.

4. Deferred Exploration and Development Expenditures

Deferred exploration and development expenditures of \$451,364 consist of expenditures by a predecessor company upon mining claims in the Mattagami Lake Area of Quebec and other locations.

It is the policy of the company to carry these expenditures forward until such time as they can be written off against revenue from these properties.

5. Remuneration of Directors and Senior Officers

The total direct remuneration paid to directors and senior officers (as defined by The Corporations Act — Ontario) was \$71,940 for the year ended December 31, 1967.

6. Pension Plan

The Company has a contributory pension plan covering approximately 24 employees. The plan is financed by employee contributions of 5% of earnings and a company contribution of approximately \$11,000 annually to cover the balance of cost.

The plan is fully funded in accordance with actuarial calculations of the liability for accrued pension benefits.

DISCOVERY MINES LIMITED

STATEMENT OF EARNED SURPLUS

For the year ended December 31, 1967

	1967	1966
Balance at beginning of year	2,107,250	2,483,842
Add:		
Net profit for the year	463,351	534,962
Adjustment of Northwest Territories royalty tax of prior years	12,333	
	<u>2,582,934</u>	<u>3,018,804</u>
Deduct:		
Dividend paid	82,043	191,434
Adjustment of 1966 pension cost	14,576	
Allowance for possible loss on realization of investments	1,225,000	
Loss on disposal of fixed assets at LaForma property, including provision for losses on equipment not yet disposed of		574,306
Deferred exploration and development expenditures on LaForma property written off		145,814
	<u>1,321,619</u>	<u>911,554</u>
Balance at end of year	<u>\$1,261,315</u>	<u>\$2,107,250</u>

DISCOVERY MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1967

Source of Funds	1967	1966
Net profit for the year	463,351	534,962
Depreciation	53,264	64,766
Sales of investments		14,626
Sales of LaForma fixed assets	48,288	90,419
Sale of land at Yellowknife, N.W.T.		2,500
Reduction in mine stores	1,884	35,179
Adjustment of Northwest Territories royalty tax of prior years	12,333	
	<u>579,120</u>	<u>742,452</u>
Application of Funds		
Dividends paid	82,043	191,434
Purchase of investments	60,692	
Advances to subsidiary company	1,796	
Payments on mining claims held under option	5,000	
Additions to fixed assets	12,764	72,285
Increase in prepaid expenses and sundry deposits	14,684	1,328
Adjustment of 1966 pension cost	14,576	
	<u>191,555</u>	<u>265,047</u>
Increase in working capital	<u>\$ 387,565</u>	<u>\$ 477,405</u>

WORKING CAPITAL

Working capital at beginning of year	254,624	(222,781)
Increase	387,565	477,405
Working capital at end of year	<u>\$ 642,189</u>	<u>\$ 254,624</u>

MINE OPERATIONS REPORT

Routine mining and milling together with an accelerated underground exploration program characterized the 1967 mine operation. The mine recorded a satisfactory performance, and as it enters its 19th year a milestone is soon to be achieved — the one millionth ounce of gold will be produced early in 1968 and the one millionth ton of ore will be milled late in the year.

To compensate for a lower average grade of ore a higher mill rate was supported during the year. The average daily mill rate of 239 tons was a record high and is about the working capacity of the plant. Average grade treated in 1967 was 0.61 ounces per ton as compared to 0.74 ounces for the previous year.

MILLING STATISTICS

	1967	1966	1950-1967
Tons Milled	85,772	82,848	932,174
Tons Milled Daily	239	227	144
Mill Heads — Oz. per Ton	0.61	0.74	1.08
Mill Heads — Value per Ton	\$22.59	\$27.48	\$37.65
Mill Recovery — Per Cent ..	98.2	98.3	98.3
Ounces Gold Produced	51,007	60,145	989,403
Value of Production	\$1,937,518	\$2,276,213	\$35,119,607
Price Received for Gold	\$37.76	\$37.71	\$35.36

Mr. R. J. Kilgour, General Manager, reports that mining during the year was concentrated on the No. 4B and No. 16 Veins. It may be recalled that it was the discovery in 1964 of the No. 4B vein structure which materially extended the life of the veteran producer. Stoping was restricted to the block of levels between the 2450 ft. horizon and the 3950 ft. or bottom level.

As shown in the following table, operating costs per ton of ore milled registered a significant reduction from that of the previous period. Excellent control on costs is being achieved.

OPERATING COST STATISTICS

	1967		1966	
	Per Ton Milled	Per Ounce Produced	Per Ton Milled	Per Ounce Produced
Development	\$ 2.49	\$ 4.18	\$ 2.48	\$ 3.42
Mining	10.08	16.93	11.04	15.21
Milling	3.70	6.21	3.71	5.11
Total Operating Costs before Depreciation and taxes	\$ 16.27	\$ 27.32	\$ 17.23	\$ 23.74

Development was hampered somewhat by a scarcity of experienced miners during the summer months; however, diamond drill footage increased sharply during the year in comparison to that in 1966.

DISCOVERY MINES LIMITED

Mine Operations Report (Continued)

DEVELOPMENT STATISTICS

	1967	1966	1947-1967
Shaft Sinking	—	—	4,060 feet
Raises and Ore Passes	245	—	18,065 feet
Drifts and Crosscuts	1,777	2,587	49,360 feet
Diamond Drilling — Surface	—	201	25,605 feet
Diamond Drilling — Underground	23,131	14,609	257,113 feet

Number of employees working in 1967 averaged 123. Recruiting and training of newly arrived immigrants, and the unique policy of employing women in such work as assaying have proven highly successful. Management is proud of the congenial spirit which has long characterized the Discovery community, and Mr. Kilgour and his staff are to be warmly congratulated.

Although some 30,000 tons of lower than mine average grade were added to reserves during the year, exploration of potential areas throughout the mine did not disclose any appreciable new ore, reports Norman W. Byrne, Consulting Engineer. However, the discovery of a new vein known as the No. 19 Vein has provided some encouragement. This structure which is the most southerly in the mine was first disclosed on the 3200 ft. level where a length of 75 feet averaging 0.60 ounces of gold per ton over a

4 ft. mining width was established. Backs were taken down on the vein at this horizon, and grade to the mill at year end was averaging about 0.50 ounces per ton. Drives have been advanced on the 2750 ft., 3350 ft., and 3500 ft. levels to the area of the No. 19 Vein. Drifting and diamond drilling have thus far shown the find to be generally narrow and the gold values to be erratic. Considerable more exploration is required to satisfactorily assess its potential.

In addition to the program on the lower levels, certain areas on four of the upper mine levels are earmarked for attention in 1968.

Proven ore reserves as at December 31, 1967 may be summarized as follows:

	Tons		Grade	
	1967	1966	1967	1966
Broken in Stopes ..	58,362	56,000	0.48	0.64
In Place	29,471	86,994	0.47	0.67
Totals	87,833	142,994	0.48	0.66

Norman W. Byrne estimates that the mine life represented by the proven reserves could be enhanced by at least three months due to mining of several remnant areas.

HOLDINGS IN OTHER COMPANIES**RAYROCK MINES LIMITED**

Your Company has a 40% share interest representing effective control in Rayrock Mines Limited. This asset is assuming greater importance and reflects a period of growth being experienced by the latter.

A well diversified resource company, Rayrock Mines recorded a net profit of \$446,225 for the fiscal year ended October 31, 1967 which compares with \$99,850 realized for the previous period. For the fifth consecutive year Rayrock's Petroleum Division registered advances in both revenue and profit; this was augmented by income accruing from the Company's 21.4% net interest in the Icon Sullivan Joint Venture—a new copper producer in Northwestern Quebec. Earnings for 1968 are expected to show a further substantial increase.

The Icon Sullivan Joint Venture which commenced mining and milling in late May, 1967, can recognize two rather unique accomplishments—the operation attained production status only a few months after development work had been initiated on the Chibougamau area property, and secondly, the total investment of the four financial sponsors in the venture was amortized in just over six months.

Ore reserves indicated to date are 1.2 million tons averaging 3.0% copper, and potential

for additional ore is regarded as quite promising. To December 31st the tonnage milled was 110,000 tons grading 3.4% copper.

Mill feed during the 1967 calendar year was taken from one of three designated open pits, and this was supplemented early in 1968 by ore from the underground zone which is being developed by shallow, trackless mining methods. The ore is trucked a distance of 44 miles to the concentrator of Merrill Island Mining Corporation where it is custom milled at a rate of 600-650 tons per day. Merrill Island receives a toll charge of 50¢ per ton, and is entitled to 10% of the operating profit after capital costs and preproduction expenditures have been retired.

The Icon Sullivan Joint Venture was formally inaugurated in November, 1966, for the purpose of developing and mining ore from the mine area. The four financial sponsors—Rayrock Mines, Gunnar Mining, Kerr Addison, and Newmont Mining Corporation of Canada—are members of the Icon Syndicate which made the copper discovery. Each of these companies participates to the extent of 25% in exploration programs.

Success by the Petroleum Division has prompted Rayrock to take an increasingly more aggressive attitude towards enhancing its growth. As operator of two oil fields in Southwestern Ontario, the Company has recently

DISCOVERY MINES LIMITED

Holdings in Other Companies (Continued)

taken an interest in an oil and gas exploration venture in Northern Alberta.

Rayrock has budgeted about \$250,000 for exploration work in 1968, and several interesting programs are being supported.

TUNDRA GOLD MINES LIMITED

Unable to foresee a continuance of profitable operations, Tundra Gold Mines, in which Discovery has an interest, ceased milling in January, 1968. In production for almost four years, this most northerly Canadian gold mine experienced many problems associated with a remote venture, and these were compounded by the cost-price squeeze common to the gold mining industry. Known remaining reserves are of sub-marginal grade; however, should gold attain a substantially higher price level the property will then host a significant tonnage of potential ore that would probably be economic. Under these circumstances consideration would be given to resumption of exploration and development.

CAMLAREN MINES LIMITED

Further exploration work on the Gordon Lake gold property of Camlaren Mines may be carried out in the coming year.

It will be recalled that a limited underground

exploration and development program in 1962 provided a 13,000 ton bulk sample which was subsequently trucked a distance of 45 miles over winter road to the Discovery mill. The undertaking was assumed in order to better establish grade through milling, and also to gain a more intimate knowledge of the deposit for mining purposes. Results were satisfactory, and an average grade of 1.14 ounces per ton was realized for the milled material.

Previous underground drilling from the bottom mine level at 350 feet indicated that the main vein continues strong at 625 feet with no deterioration in grade. Future work would entail deepening of the shaft for at least 500 feet to accommodate additional levels below the existing workings which were established in the 1930's.

Discovery has a 70% share interest in Camlaren Mines Limited.

NORITA QUEBEC MINES LIMITED

Discovery Mines holds a 13% equity interest in Norita Quebec Mines which has a 32 claim base metal prospect situated in Isle Dieu Township, Matagami area. The property hosts two potential ore zones which have a combined drill indicated reserve of 800,000 tons averaging 0.64% copper and 7.29% zinc. The

lower zone is open in an easterly direction but the attitude of the structure is such that further depth drilling would present a costly and difficult task. Promising potential provides incentive to support an underground program but the current economic and manpower conditions dictate that such work be held in abeyance for the present.

Norita was incorporated in June, 1966 for the purpose of facilitating exploration and future development of a copper-zinc-silver zone that was found to straddle the boundary between two properties — the Radiore Uranium-Discovery Mines ground on the west, and

the Amagami Mines group on the east. Radiore has a 52% share interest in Norita.

MICRO NICKEL PROJECT

Examination of a promising nickel prospect in the Yukon Territory was the main exploration effort of Discovery Mines during the past year. Known as the Micro Nickel property, it is situated 250 miles northwest of Whitehorse and was the object of both surface and limited underground exploration by previous operators some years ago. Factors such as good accessibility, interesting geology, and a buoyant nickel price structure encouraged the Company to consummate a working option agreement early in 1967. Finances for the year's program were contributed by three companies, with Discovery Mines assuming a 50% role, and Rayrock Mines, an associated firm, a 25% interest.

Under the direction of Discovery Mines, work on the property commenced in June and consisted of geological mapping, geophysics, reconnaissance prospecting, and bulldozer stripping. Surface diamond drilling was initiated in September, and only two holes were completed before severe winter weather forced temporary curtailment of the project. The aim of the surface test was to assess the strike and depth possibilities of two potential ore structures known as the Main Zone and the Lower North



View of Micro Nickel camp situated at Koidern on the Alaska Highway and two miles from the mine area. Formerly a communications depot, the complex was recently purchased at a very reasonable price.

DISCOVERY MINES LIMITED

Holdings in Other Companies (Continued)

Zone. While drilling progress was quite slow, the results gained from the two completions have clarified the somewhat complex geology, and have significantly increased the original reserve picture which stood at 282,000 tons of 1.64% nickel. There is now an indication that the favourable tuff host rock widens with depth in the Lower North Zone, and secondly, there is now conclusive evidence that nickel mineralization is present west of a major fault thus opening up a lengthy area of promising ground to the west of the mine workings and under the White River.

Resumption of work is scheduled for March and the accelerated program will entail further surface diamond drilling in the mine area, drill examination of several I.P. anomalies, dewatering of the underground workings, and sub-surface exploration from the lower of the two existing mine levels. Access into the mine is from an adit and a 335 ft. winze. Estimated total cost of the proposed 1968 effort is \$220,000 of which Discovery's share will be 50%, Rayrock Mines — 25% and Pacific Petroleum Ltd. — 25%.

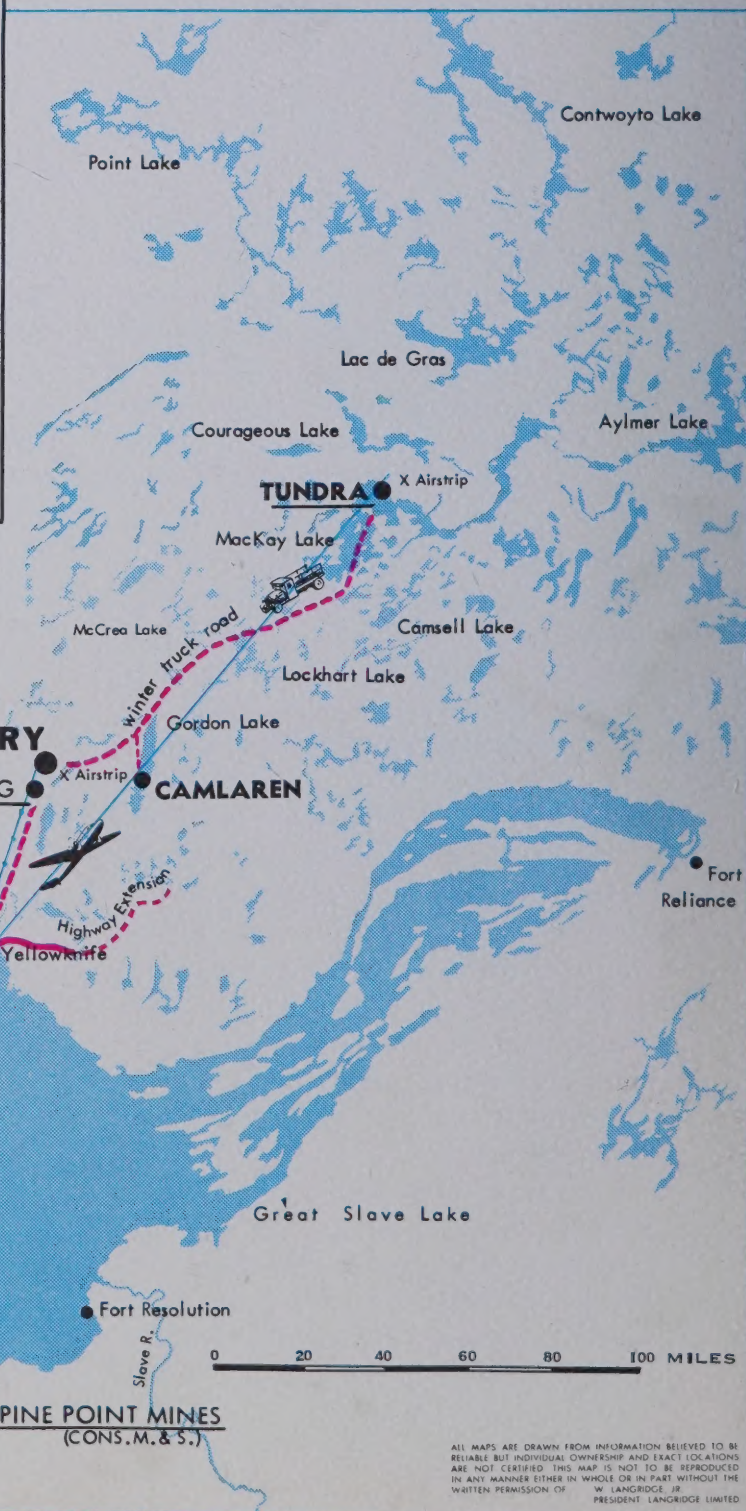
GENERAL

Prompted by encouragement in earlier drilling, the team of Discovery Mines (20%) and Radiore Uranium Mines (80%) is considering further work for their 37 claim group which

adjoins the property of Norita Quebec Mines in the Matagami area. A copper bearing structure known as the West Zone has been investigated by a series of widely spaced holes for a strike length of some 5,000 feet; copper intersections were generally low grade. More drilling of a detailed nature is required to evaluate the potential of the zone.

With the advent of a gold price increase becoming more promising, Discovery Mines has negotiated a long term working option on two contiguous gold prospects situated 125 miles north of Yellowknife. The properties are host to a long gold bearing dike which has a length on the optioned ground of three miles and a width that averages 100 feet. During the 1940's each of the two claim groups was the object of extensive surface and subsurface exploration. The low grade tenor of the host rock necessitated employment of several sampling methods including bulk tests. Results indicated the presence of a very substantial tonnage of potential ore with a grade in the order of \$3 per ton (gold at \$35 per oz.). Metallurgical investigations at the time proved very satisfactory. The generous dimensions of the dike augur well for a good sized open pit proposition. Consideration is being given to securing a bulk sample from the deposit this summer and then running a mill test at the Discovery plant.

GOLD MINING IN CANADA'S FAR NORTH



ALL MAPS ARE DRAWN FROM INFORMATION BELIEVED TO BE RELIABLE BUT INDIVIDUAL OWNERSHIP AND EXACT LOCATIONS ARE NOT CERTIFIED. THIS MAP IS NOT TO BE REPRODUCED IN ANY MANNER EITHER IN WHOLE OR IN PART WITHOUT THE WRITTEN PERMISSION OF W. LANGRIDGE JR. PRESIDENT, LANGRIDGE LIMITED.